

# TENANT CERTIFICATION TRAINING 3560



# TENANT CERTIFICATION TRAINING

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# OVERVIEW

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# WAGE MATCHING

## Handbook 2

### Chapter 9

### Section 5

- In conjunction with the Department of Labor, Rural Development has the capability to obtain wage matching reports for any tenant.
- We encourage managers to request a wage match for any household whose income they question.
- Further instruction on reviewing wage matching reports and identifying unauthorized assistance is included in your registration folder.

# WEB SITES

- Rural Development Regulation and Handbook web site
  - <http://www.rurdev.usda.gov/regs/>
- Maine USDA RD Web Site
  - <http://www.rurdev.usda.gov/me>
- HUD Occupancy Handbook
  - <http://www.hudclip.org>
  - Then click on Search or Browse All HUD Handbooks and Guidebooks, click on “search”, type “4350.3” in the document number box and click on search

# ASSIGNMENT OF RA

## 7 CFR 3560.257 (a) (1)

### Handbook 2 - 3560

### Page 8-16

- Priorities for assigning RA in existing projects
  - First priority is Very Low in house tenants
  - Second priority is Very Low applicants on the waiting list
  - Third priority is Low in house tenants
  - Fourth priority is Low applicants on the waiting list
- Incorrectly assigned RA
  - If RA inadvertently is incorrectly assigned please refer to Handbook 2, paragraph 8.10 F, page 8-17



# PAD & EFT

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- PAD – Preauthorized Debit
- EFT – Electronic Funds Transfer

# MANAGEMENT INTERACTIVE NETWORK CONNECTION (MINC)

- Rejected Transmissions
- Pending Transmissions
- Manual Accept
- Manual Reject



# InfoNow

- Who is receiving them??
- Who is not receiving them and should be??
- What do I need to do to receive the InfoNow??
- To subscribe to the InfoNow
  - please e-mail Emily Cannon at [emily.cannon@me.usda.gov](mailto:emily.cannon@me.usda.gov)



# INCOME CHARTS



- 2006 Income Charts will be available soon

# Additional Training Availability



# **HOUSEHOLDS**

## **7 CFR 3560 Appendix 1 & 3560.152**

### **Handbook 2 - 3560**

#### **Pages 6-2 thru 6-4**

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- One or more persons who maintain or will maintain residency in one rental unit (not including a resident assistant or chore service worker).
- Remember that the interim final rule contains requirements regarding citizenship eligibility which have been subsequently delayed as announced in the Federal Register on November 26, 2004. Specifically, tenants do not have to be a United States citizen or qualified Alien at this time.

# RESIDENT ASSISTANT

## 7 CFR 3560 Appendix 1

### Handbook 2 - 3560

### Pages 6-2 thru 6-4

- A person residing in a tenant's housing unit who is essential to the well-being and care of the persons who are elderly or have handicaps, but is not obligated for the person's financial support **AND** would not be living in the unit except to provide the needed support services. While the resident assistant may be a family member, the resident assistant may not be a dependent of the household for tax purposes and is not subject to the eligibility requirements.

# CHORE SERVICE WORKER

- An individual who provides intermittent assistance essential to the well being of household members whose services are compensated by a Federal, State or local assistance program. A chore service worker will not be a resident of the household unit.

# **ELDERLY HOUSEHOLD**

## **7 CFR 3560 Appendix 1**

### **Handbook 2 - 3560**

#### **Pages 6-2 thru 6-4**

- A household where the tenant or co-tenant is at least 62 years old, or disabled. An elderly household may include a person younger than 62 years of age. To receive an elderly family deduction, the person who is elderly or disabled must be the tenant or co-tenant.

# INDIVIDUAL WITH DISABILITIES

## 7 CFR 3560

### Appendix 1

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- The term disability is considered equivalent to the term handicap. A person is considered to have a disability if either of the two situations detailed in Handbook 2, Chapter 6, paragraph 6.5 B (pages 6-2 and 6-3) occur.



# FOSTER CHILDREN

- Eligible families may include foster children, as long as the children do not cause overcrowding. However, foster children are not considered family members for the purposes of determining income or deductions from income or to determine household size to compare with income limits.

# **VERIFICATION PROCEDURES**

## **Handbook 2 - 3560**

### **Pages 6-15 thru 6-18**

- Each applicant/tenant must provide the income, expense, and household information needed to enable the borrower to make income determinations.

# VERIFICATION REQUIREMENTS

- Verification of income must be obtained by the borrower. Written verifications provided by third-party sources or documents prepared by third-party sources are generally preferred. Oral verifications, if accepted, must be documented carefully and thoroughly.

## HOW LONG ARE VERIFICATIONS VALID?

- Written verifications are valid for 90 days and may be valid for an additional 90 days with oral re-verification at the end of the 90-day period. In no case may information that is older than 180 days be used.

# INFORMATION TO VERIFY

- The borrower must verify the following information:
  - **Disability Eligibility:** Disabilities are verified only if necessary to qualify the household as an elderly family, or if the disability affects the household's eligibility for deductions from income. Verification may be provided by a physician, a clinic, welfare agency, the Social Security Administration, or other knowledgeable service.
    - **Elderly Eligibility:** A birth certificate or driver's license provides verification of elderly eligibility.

## INFORMATION TO VERIFY

- **Household Composition:** Verification of household composition can be accomplished through a variety of sources and documents. For example, a birth certificate or custody agreement verified that a minor child is part of the household. Also divorce or separation agreements can verify that an individual is no longer a member of the household.

## INFORMATION TO VERIFY

- **Income, Assets, & Deductions:** Written verification of all income, assets, and deductions must be obtained.
- **Social Security Numbers:** Documentation of the Social Security Number (SS #) will be provided with a valid SS Card or other evidence of the SS #. SS Numbers must be verified only once for each resident.

# **CERTIFICATION REQUIREMENTS**

## **7 CFR 3560.152 & 7 CFR 3560.158**

### **Handbook 2 - 3560**

### **Pages 6-37 thru 6-39**

- The recertification process is designed to ensure a tenant remains eligible to reside in Multi-Family Housing.
- As household status changes, the size of the unit needed by the household or the amount of rent that they are obligated to pay may change.



# **THE ANNUAL/INTERIM RECERTIFICATION PROCESS**

## **7 CFR 3560.152**

- Each time a resident is recertified, the certification is good for one year, unless household size or income changes. (Tenant households must be recertified at least annually or whenever a change in household income of \$100 or more per month occurs. Borrowers must recertify for changes of \$50 or more per month, if the tenant requests that such a change be made.)

# NOTIFYING THE TENANT

- At least 75 to 90 days prior to the date that the certification expires, the borrower must notify the tenant in writing that they must be recertified to remain eligible. A copy of the notification must be maintained in the tenant's file. This letter will also include what information the borrower needs from the household in order to complete the certification.

# NOTIFYING THE TENANT

- If the household fails to respond to the letter, the borrower will issue a 2nd letter 30 days prior to the date which the certification expires informing the tenant of:
  - The information needed to recertify,
  - The time frame in which the new cert must be submitted to the Agency; and
  - The consequences for failure to comply with the recertification process.

# CERTIFICATION DUE DATE

7 CFR 35610.152

Handbook 2 - 3560

Page 6-38

- Borrowers must submit initial or updated tenant certifications to the Agency within 10 days of the effective date. The effective date of all tenant certification forms will always be the first day of the month. In order for a certification to be valid, it must be signed and dated by all parties on or before the effective date and maintained in the tenant file.

## **LATE CERTIFICATIONS**

### **7 CFR 3560.152 (e) (2) (iv)**

- Since tenant certifications are used to document interest credit and rental assistance eligibility and are a basic responsibility of the borrower under the loan document, borrower who fail to submit tenant certification forms with the time period specified, will be charged overage, as specified in 7 CFR 3560.203 (c).

# LATE CERTIFICATIONS

- **EXAMPLE:**

\$350 – Basic Rent

\$550 – Note Rate Rent

\$100 – Tenant Pays

\$250 – RA Pays

**What is the Penalty???**

# LATE CERTIFICATIONS

- ANSWER:
  - \$250 – Lost RA
  - \$200 – Overage
  - **\$450 – Total Penalty for a late cert**

# NET FAMILY ASSETS

## 7 CFR 3560.153

- A key element of the certification process is the inclusion of **any and all** assets the tenant household possesses. There has been some confusion expressed regarding the form's instructions associated with Part III- Asset Income, on the Tenant Certification.
- Annual income will be calculated in accordance with 24 CFR 5.609 and Adjusted income will be calculated in accordance with 24 CFR 5.611



# NET FAMILY ASSETS

- Line 15.
  - Net Family Assets (Note: If line 15 is less than \$5,000, enter zero on line 16)
  - Enter the total value of all assets on Line 15 regardless of the amount.
  - The “Note” which reads “If line 15 is less than \$5,000, enter zero on Line 16.)” does **NOT** mean that you are to enter zero on Line 15.

# NET FAMILY ASSETS

- Line 16
  - Imputed Income from Assets
  - If line 15 exceeds \$5,000, calculate the imputed from assets using HUD's 2% Passbook Savings Rate
  - If line 15 is equal to \$5,000 or less, enter zero on Line 16

# NET FAMILY ASSETS

- Line 17
  - Enter the actual income attributable to these assets on Line 17

# NET FAMILY ASSETS

- A key element of the certification process is the inclusion of any (and all) assets the tenant household possesses.
- Prior to the completion of any Tenant Certification, it is essential that you require all tenants/applicants to report to you information regarding the assets they own.

# NET FAMILY ASSETS

- Regulations define the following two types of assets:
  - Current Assets
  - Assets disposed of for less than fair market value

# NET FAMILY ASSETS

- Current assets such as cash on hand, the 6 month average balance of the checking account, value of the savings account, CDs, Real Property, the cash value of whole life insurance policies, IRAs, bonds, investments, etc.
- Until recently, we calculated the value of the checking account as of the date it was verified. Special Procedure Notice revised 4/5/06 corrected Handbook 2 to clarify that the value of the checking account is the 6 month average balance.

# NET FAMILY ASSETS

- Any asset disposed of by a member of the household for less than fair market value during the 2 years preceding the effective date of the Tenant Certification. (Spending money is not considered as disposing of an asset, however giving money away is.) Assets disposed of through bankruptcy, divorce, or foreclosure are not considered to be disposed of.

# NET FAMILY ASSETS

- Example: A tenant owns property with a tax value of \$75,000. The town uses a tax value of 50%. The total valuation is \$150,000 (\$75,000 X 2). Calculate the cash value by:

\$150,000	Market Value
- 2,500	Settlement Costs
- 3,500	Broker/Legal Fees
- 44,000	<u>Outstanding Mortgage Balance</u>
\$100,000	Cash Value



# NET FAMILY ASSETS

- When evaluating assets, think of it as a three step process.
  - Calculate the total Cash Value of all assets.
  - Determine how much “Actual Income” is derived from the each asset
  - If the total assets exceed \$5,000, calculate the Imputed Income from Assets

# ANNUAL INCOME

## Handbook 2

### Pages 6-7 thru 6-9

### Attachment 6A

- Rural Development defines Annual Income as the total (gross) amount of income anticipated to be received by all members of the household (even if temporarily absent) during the 12 months following the effective date of the Tenant Certification.
- Annual income also means amounts derived (during the 12 month period) from assets to which **any member** of the household has access.

# **ADJUSTED ANNUAL INCOME**

## **Handbook 2**

### **Pages 6-9 thru 6-12**

### **Attachment 6C**

- Adjusted Annual Income is the gross annual income minus deductions as defined in 3560 Regulations. The deductions (like income) are those that are projected for the 12 months following the effective date of the Tenant Certification.

# ZERO INCOME

## Handbook 2

### Page 6-9

- It is the policy of Rural Development not to accept a Tenant Certification for an applicant or tenant with zero income unless all income is specifically exempted.
- In cases where the applicant or tenant is claiming they have no household income, it will be necessary for the tenant to demonstrate financial capability to meet other basic living expenses.
- Guidance for verification of zero income is found in **Attachment 6B**

# ADJUSTMENTS TO INCOME

- Dependent Deduction
  - \$480
  - Household Member 17 or younger
  - Disabled Dependent
  - Full – Time Student

# ADJUSTMENTS TO INCOME

- Child Care Expenses
  - Unreimbursed
  - For Children under age 13
  - No adult household member available or able to provide childcare
- To enable a household member to work
- To enable a household member to attend school

# ADJUSTMENTS TO INCOME

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- Elderly Household Deduction
  - \$400
  - 62 or older
  - Disabled

# ADJUSTMENTS TO INCOME

- Deductions for Disability Expenses
  - Anticipated expenses for the care of an individual with disabilities
  - To enable the individual with disabilities or another household member to work
  - Not reimbursed



# ADJUSTMENTS TO INCOME

## Handbook 2

### Attachment 6C

- Deductions for Medical Expenses
  - Elderly/Disabled households only
  - Not reimbursed
  - Anticipated expenses



















